

ABSTRACT

The structural changes indicated and contributed by the manufacturing sector to GDP play an important role in driving economic growth. To encourage economic growth, one way that can be done is to look at the structural changes indicated and contributed by the manufacturing sector, apart from that it can be seen from the quality of institutions. Institutional quality is important in an economy because it controls market mechanisms, ensuring efficiency, equality, and economic stability. This research aims to determine the relationship between Structural Change and Institutional Quality on economic growth in ASEAN developing countries from 2010 to 2022. This research uses secondary data with a data panel of 117 observations. After going through the Chow Test and Hausman Test, the analysis tool obtained is using the Generalized Least Squares method.

Based on the results of this research, it states that foreign direct investment variables and manufacturing variables have a positive and significant influence on economic growth. Meanwhile, the labor and trade openness variables have a positive but not significant influence on economic growth. The Democracy index variable has a negative but significant influence on economic growth. Meanwhile, the control of corruption variable, the Voice and Accountability variable, Political Stability and Absence of Violence or Terrorism and the Covid-19 dummy have a positive but significant influence on economic growth in ASEAN developing countries.

Keyword: Structural Change, Institutional Quality, Economic Growth, Panel Data, Generalized Least Squares method